

IRS News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.irs.gov/newsroom

Public Contact: 800.829.1040

IRS Waives Diesel Fuel Penalty Due to Hurricane Katrina

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WASHINGTON — The Internal Revenue Service, in response to shortages of clear diesel fuel caused by Hurricane Katrina, will not impose a tax penalty when dyed diesel fuel is sold for use or used on the highway.

This relief applies beginning August 25, 2005, in Florida, August 30, 2005, in Alabama, Louisiana, and Mississippi, and August 31, 2005, in the rest of the United States, and will remain in effect through September 15, 2005.

This penalty relief is available to any person that sells or uses dyed fuel for highway use. In the case of the operator of the vehicle in which the dyed fuel is used, the relief is available only if the operator or the person selling the fuel pays the tax of 24.4 cents per gallon. The IRS will not impose penalties for failure to make semimonthly deposits of this tax. IRS Publication 510, Excise Taxes for 2005, has information on the proper method for reporting and paying the tax.

Ordinarily, dyed diesel fuel is not taxed, because it is sold for uses exempt from excise tax, such as to farmers for farming purposes and to local governments for buses.

Finally, the Internal Revenue Service will not impose the recently enacted tax penalty on a failure to meet the requirements of EPA highway diesel fuel sulfur content regulations if EPA has waived those requirements.